

PROPOSED RESOLUTION

RES. W-4985
DWA/RSK/BMD/MCV/ds4

AGENDA ID #12983
ITEM #25
(Rev. 2) 6/11/2014 11:00 A.M.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4985
June 12, 2014

RESOLUTION

(RES. W-4985) BIG BASIN WATER COMPANY. GENERAL RATE CASE FILING IN ACCORDANCE WITH GENERAL ORDER 96-B, INDUSTRY RULE 7.3, AND DECISION 92-03-093. ORDER AUTHORIZING BIG BASIN WATER COMPANY A RATE INCREASE RESULTING IN AN ADDITIONAL ANNUAL REVENUE OF \$82,117, OR 22.70%, FOR TEST YEAR 2013.

SUMMARY

This Resolution addresses the general rate case filed by Big Basin Water Company by Advice Letter 52 on July 2, 2013 in accordance with General Order 96-B and Decision 92-03-093. By Advice Letter 52, Big Basin Water Company requested an increase in gross water revenues in the amount of \$119,943, or 31.60%, for Test Year 2013 based on a rate of return 10.80%.

This Resolution authorizes an increase in gross annual revenues in the amount of \$82,117 for Big Basin Water Company for the Test Year 2013, which is estimated to provide a rate of return of 10.80%. The Division of Water and Audits' recommended revenue represents a reduction of \$61,641 to Big Basin Water Company's estimate of \$505,521 for total revenue for Test Year 2013. This is primarily due to adjustments to expenses and the company's rate base estimates in the amounts of \$37,752 and \$223,698, respectively.

This Resolution establishes a monthly bill surcredit of \$2.61 to be paid over a period of five years for reimbursement of \$92,903, the customers' share of timber revenues from Big Basin Water Company's 2005 and 2006 timber operations.

This Resolution requires Big Basin Water Company to make semi-annual payments to the California Department of Water Resources in the amount of \$6,111 to pay \$151,045 plus interest for the Safe Drinking Water Bond Act past-due principal and loan charges until the full amount is paid off.

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BACKGROUND

Big Basin Water Company (BBWC) is a Class C investor-owned water utility with 597 service connections consisting of 584 metered, nine (9) flat rate, and four (4) private fire protection service customers in Santa Cruz County.¹ BBWC's service area is located along Big Basin Highway between Boulder Creek and Big Basin.

The California Public Utilities Commission's (Commission) Decision (D.) 92-03-093, General Order (GO) 96-B, and Public Utilities Code 451 provide the general guidelines and rules by which Class B, C, or D investor-owned water utilities may request a general rate increase through an informal general rate case (GRC) filing. Accordingly, BBWC filed Advice Letter (AL) 52 on July 2, 2013, with its request for a general rate increase for Test Year (TY) 2013.

Additionally, by AL 51, filed on July 2, 2013, BBWC requested an interim rate increase in accordance with Commission Resolutions (Res.) W-4950 and W-4658. AL 51 was approved on July 22, 2013 with an effective date of July 22, 2013 and authorized an interim rate increase of 1.7% at the Consumer Price Index (CPI), which resulted in an increase in annual revenues in the amount of \$6,732. BBWC's interim rate increase is subject to refund or increase, relative to the rates established in this GRC.

Commission Res. W-4526 authorized BBWC's last GRC for TY 2003, which approved an increase in gross annual revenues in the amount of \$106,725, or 46.5%, over previously authorized revenues.

BBWC's water system is supplied by three surface water intakes (Jamison Springs 1 and 2, and Corvin Creek) and one groundwater well (Well No. 4). The three surface water intakes, each with a discharge capacity of 200 gallons per minute (gpm) are the primary sources of supply. BBWC has eleven above ground storage tanks in the water system with a total storage capacity of 780,000 gallons. The water distribution system has five pressure zones, and the water pressure throughout the system is maintained by the elevation head provided by the water level in the storage tanks and by booster pumps located throughout the system.

For TY 2013, BBWC proposes replacing two of its storage tanks and a variable pump drive on the water system at an estimated cost of \$150,000. The two water storage tanks will replace the Camino Verde and Roseta tanks with new factory coated bolted carbon steel water storage tanks with a capacity of 22,000 and 84,000 gallons, respectively. More information on the proposed system improvements and reasonableness of these improvements is provided in the Utility Plant and Rate Base section of this Resolution.

¹ As defined in G.O. 96-B Water Industry Rules Section 1.2., Class B, C, and D investor-owned water utilities serve 2,001 through 10,000, 501 through 2,000, and less than 500 service connections, respectively.

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NOTICE AND PROTESTS

In accordance with GO 96-B, BBWC served a copy of the AL to its service list on July 1, 2013, and a customer notice of the proposed rate increase and public meeting was mailed to each customer and to the general service list on August 6, 2013.

One customer filed a protest on BBWC's rate increase request. The customer in protest's letter states that the customer is doing everything in to conserve water and that if rates are increased there would be no incentive to continue conserving water. Division disagrees with the customer's statement given that BBWC's metered service rate structure consists of a service and a volumetric charge and therefore customers that conserve water benefit by having a lower quantity charge and as a result a lower water bill. The customer's protest should therefore be denied because it does not provide any facts or reasonable justification for denying BBWC's rate increase request. On August 28, 2013, Division of Water and Audits (Division) held a Public Participation Meeting at the Boulder Creek Country Club located in Boulder Creek at which time BBWC explained to its customers the need for its proposed rate increase, and Division staff provided an overview of the Commission's GRC process for Class C and D water utilities. Eighteen (18) customers attended the meeting. BBWC's customers were given an opportunity to ask questions of BBWC and Division, and to comment on BBWC's proposed rate increase and service. Customers overall are satisfied with the quality of BBWC's water service but their main concern was the overall percentage amount of the rate increase.

In setting rates in this Resolution, we have balanced the financial requirements of BBWC with the rate concerns of its customers.

DISCUSSION

The Division made an independent analysis of BBWC's operations. Appendix A provides BBWC's and Division's estimated Summary of Earnings (SOE) at present and proposed rates for TY 2013. BBWC is in agreement with Division's recommended revenue requirement for TY 2013 shown in Appendix A, and the recommended rates shown in Appendix B. Division recommends that the Commission approve the rate increases and resulting rates included in Appendix B for TY 2013.

Total Operating Revenues

BBWC's and Division's estimated operating revenues at present and proposed rates are slightly different because of the values used for estimated water sales for TY 2013. BBWC used 68,314 and 57,682 hundred cubic feet (ccf) as its estimated water sales for calculating its operating revenues under present and proposed rates, respectively. Whereas Division used 60,628 ccf for its revenue calculations under present and

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proposed rates based on BBWC's average water sales during 2011 through 2013. Division's analysis of the water sales data the company reported in Schedule D-7 of its annual reports found that data is not for actual water sales but for water the company places into the water system measured through its production meter installed on well number 4 and the meter at the water treatment plant. This data therefore does not reflect actual water sales given that it does not account for water losses. Based on BBWC's billing data for metered service, Division determined that BBWC's metered water sales in 2011, 2012, and 2013 were 55,483, 60,869, and 65,533 ccf respectively. BBWC is not expecting any significant changes in its customer base or water sales for TY 2013, Division therefore recommends that the Commission adopt 60,628 ccf as the estimated water sales forecast for TY 2013 based on average water sales during 2011 through 2013.

Other Water Revenue

Res. W-4526, Ordering Paragraph 3, ordered BBWC to establish a balancing account to track revenues and expenses associated with timber harvesting anticipated during 2005 through 2009. BBWC failed to comply with the Commission's directive and did not establish the balancing account as directed by Res. W-4526. Furthermore, Res. W-4526 states that BBWC agreed to the sharing of timber revenues in accordance with the revenue sharing mechanism adopted by D.00-07-018 which established a sharing of gross revenues of 30% and 70% for passive investments, between ratepayers and shareholders, respectively.²

BBWC conducted timber operations in 2005 and 2006 through a contract signed with Big Creek Lumber Company (BCLC). Based on Division's review of BCLC's payment invoices, BBWC received a total of \$309,676 in payments, excluding \$94,189 in costs BCLC paid under the contract for the development of timber harvesting plan, surveys, and inspections that were necessary for the obtaining the timber harvesting permits. D.00-07-018 allows for exclusion of "passed through" costs (e.g., power, purchase water, and taxes) that are passed through to the vendor without any mark-up or billed into the contract on a pass-through basis.³ Division therefore finds reasonable to exclude the \$94,189 from gross revenues since they were part of BBWC's contract with BCLC.

D.00-07-018 leaves the issue of allocation of investments and costs incurred for labor and capital that are jointly used for tariffed and non-tariffed products to be addressed in each water utility's respective GRC.⁴ However D.00-07-018 requires that

² Res. W-4526, pg. 2, and D.00-07-018, pg. 14.

³ D.00-07-018, pg. 17

⁴ D.00-07-018, pg. 16.

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shareholders absorb all incremental costs and tax resulting from the non-tariff products and services. Accordingly Division subtracted from its gross revenue calculation \$19,500 in labor costs that BBWC had included as part of its timber operation costs and deducted from gross revenues to calculate the customers' share of revenues. Division found these costs were incremental as a result of company's non-tariffed product offering and should be excluded from the gross revenue calculation.

Division determined that \$309,676 is the amount of timber revenues that are subject to revenue sharing with BBWC's customers. The amount BBWC needs to refund its customers is therefore \$92,903 or 30% of the \$309,676. BBWC was unable to provide documentation to substantiate repayment of the customers' share of timber revenues. Division therefore recommends that the company reimburse customers the \$92,903 over a period of five years through a monthly bill surcredit of \$2.61,⁵ and if BBWC conducts additional timber operations in 2015 or in the future, those revenues should be used to reimburse the remaining balance of the \$92,903, prior to the company taking any share of revenues. BBWC should also obtain Commission approval prior to conducting any additional timber operations in order for the Commission to evaluate the extent of the timber operations, anticipated revenues and establish a reimbursement plan and schedule for the remaining balance of the \$92,903, including any additional revenues that would be shared.

BBWC should be required to file a tier 3 AL filing for Commission approval for any additional timber operations that includes the following: 1) a copy of the contract agreement for the timber operations; 2) information on the company resources that will be used for the operations, if any; and 3) the estimated amount of revenues the company anticipates receiving and corresponding customers' share of those revenues; and 4) a reimbursement plan and schedule to repay the remaining balance of the \$92,903 owed to its customers, and any additional timber revenues subject to customer sharing.. BBWC shall also comply with Res. W-4526, Ordering Paragraph 3, and establish a balancing account through a Tier 2 AL to record expenses and revenues for its timber operations, including the reimbursement of the \$92,903, before the rates authorized by this resolution become effective.

⁵ The surcredit calculation is based on 594 service connections/customer accounts.

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Total Operating Expenses

The Division's estimate of BBWC's operating expenses for TY 2013 is based on the Division's analysis of the company's operations and expense data from the years 2010 through 2012, except for expenses relating to purchased power, employee labor, employee pensions and benefits, insurance, office and management salaries. For employee labor, office and management salaries, Division evaluated the salaries of comparable positions, with a similar level of work experience, responsibilities and qualifications in Santa Cruz and Santa Clara counties. For estimating all other expense categories, Division analyzed the company's operations and based its expense estimates on this analysis.

Division finds BBWC's operating expense estimates for TY 2013 reasonable, except where noted. The main reason for the difference in Division's and BBWC's operating expense estimates, provided in the SOE in Attachment A, is the reallocation of BBWC's operating expenses to the appropriate expense accounts, in accordance with the Commission's Uniform System of Accounts (USOA) for Class B, C, and D water utilities adopted by D. 85-04-076. Division reviewed BBWC's utility operations and the corresponding expense accounts and found that BBWC has not properly followed the USOA for booking several expenses in the appropriate accounts. Division therefore adjusted the expense accounts to more accurately reflect the company's expenses associated with each respective utility operation. For example, Division re-allocated utility expenses for materials, contract work and volume related expenses that BBWC had booked in the Other Plant Maintenance expense account. Division also re-allocated utility plant maintenance and professional service expenses that BBWC booked into its General Expense account, and subtracted expenses associated with BBWC's sewer operations that had been booked to the General Expense account.

For employee labor, office and management salaries, Division evaluated the salaries of comparable positions with similar levels of work experience, responsibilities, and qualifications in Santa Cruz and Santa Clara counties and determined that the requested salaries were within or below the salary range for similar positions in these nearby counties. Division therefore finds BBWC's requested salaries reasonable, and based on these salary amounts determined that BBWC's calculation for employee pensions and benefits were accurately computed.

Division's recommended amount of \$10,606 for Insurance expense for TY 2013 is based on the cost of BBWC's insurance policy for 2013 and 2014 in the amount of \$11,568

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minus 6.0% of this cost allocated to the Big Basin Sanitation Company,⁶ per the cost allocation established by Res. W-4720.

BBWC requested 6,372 for Uncollectible Accounts expense, and Division recommends \$5,160 based on the company's three year average, 2010 through 2012 for uncollectible amounts. Division believes that this is a reasonable estimate for Uncollectible Accounts expense, given that it is based on BBWC's actual uncollectable amounts for the last three years.

BBWC requested \$2,135 for Office Services and Rentals expenses, and Division recommends \$5,000 for an office space for BBWC to conduct its business operations and customer service. Division recommends a higher amount based on cost of leasing an office in Boulder Creek area at a rate of about \$11.88 for square foot (SF) for an office space of 34 SF.

For Office Supplies and Expenses, BBWC requested \$5,824 for TY 2013. Division recommends \$6,500 to cover the necessary office supplies and expenses for monthly billing, printing, general accounting supplies, and other office expenses for 597 water service connections/ customer accounts. Division recommends a higher amount than the utility requested to provide adequate funds to cover supplies and office expenses necessary for customer billing and other office operations. The recommended amount provides BBWC \$0.91 per customer per month to cover these functions.

BBWC requested \$18,840 for Purchased Power expense for TY 2013. Division recommends \$19,463 based on the average energy usage during 2011 through 2013 of 105,084 kilowatt hours (kWhs) billed at the current average composite energy rate of \$0.18521 under Pacific Gas and Electric's (PG&E) A-6 Time-of-Use tariff schedule. BBWC's Purchased Power expense estimate was based on the average energy usage during 2010 through 2012 of 107,290 kWhs at an energy rate of \$0.18 per kWh. Division's Purchased Power expense estimate for TY 2013 provides a more accurate estimate given that it is based on the most current purchased power, water sales, and pump data from 2011 through 2013.

⁶ Big Basin Sanitation Company is also owned and operated by owners of BBWC and is a sewer utility with 29 service connections.

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Utility Plant and Rate Base

Division's analysis of BBWC's rate base estimate for TY 2013 included examining utility plant-in-service since the company's last GRC for TY 2003, proposed utility plant additions, materials & supplies, working cash, and depreciation reserve.

BBWC's rate base estimate for TY 2013 is \$882,213 based on an estimated average utility plant-in-service in the amount \$2,112,249 as of December 31, 2012 and \$150,000 in anticipated plant additions for TY 2013. Division's estimated rate base for TY 2013 is \$658,515 based on utility plant balance as of December 31, 2012 of \$2,132,414⁷ plus the \$150,000 in plant additions for TY 2013 less accumulated depreciation. The main difference between BBWC and Division's rate base estimate is that Division excludes \$1,228,968 in utility plant funded by the State's Safe Drinking Water Bond Act (SDWBA) in 1991 which is treated as Contribution in Aid of Construction (CIAC) per the Commission's accounting rules and ratemaking policies adopted by D.10-12-058 for utility plant that is funded by public loans. Of the total SDWBA loan amount, Division subtracted \$901,243⁸ the amortized SDWBA utility funded plant to compute an average plant-in-service of \$1,381,171 for TY 2013. This amount was further adjusted by subtracting \$399,931 for the accumulated depreciation on utility plant and \$327,725 for the unamortized SDWBA funded plant which is treated as CIAC. Division then added to its rate base estimate \$5,000 for working cash that was requested by BBWC which it found reasonable since it is within the working cash allowance for small water utilities.⁹

As noted above for TY 2013 BBWC proposes replacing two of its storage tanks and the variable pump drive on the water distribution system at an estimated cost of \$150,000. The two new water storage tanks will replace the Camino Verde and Roseta tanks with factory coated bolted carbon steel water storage tanks with a capacity of 22,000 and 84,000 gallons, respectively. In support of the cost estimate, BBWC included a cost estimate for replacement of the storage tanks from Palmer Tank & Construction Incorporated.

Division reviewed BBWC's proposed capital improvement projects and determined that these improvements are necessary to maintain adequate and reliable water service. Division staff during its site visit and inspection of the water system confirmed the need

⁷ Division utility plant calculation is based on an analysis of BBWC's utility plant in service since 2004.

⁸ Division calculated that \$901,243 of the \$1,228,968 in utility plant funded by SDWBA loan has been amortized as of December 31, 2013, based on an amortizing rate of 3.3% for a 30-year useful-life period, and the plant placed in service in 1992.

⁹ Class C and D water utilities that have metered service customers and bill on a monthly basis have an annual working cash allowance based on twelve months of O&M expenses, excluding taxes and depreciation, divided over the twelve months.

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to replace the water storage tanks given their deteriorating condition. Division also finds BBWC's cost estimate for replacing the storage tanks reasonable based on the size and material of the storage facilities and labor involved. Division also evaluated BBWC's proposal to replace the existing water pump with a variable pump drive and found it to be reasonable since it eliminates the need for BBWC to replace the pressure tank at the pump location and incur an additional expense. Division therefore finds BBWC's proposed projects reasonable for Commission approval and the associated costs prudent for inclusion into the company's rate base.

Res. W-4526 recommended that BBWC undertake a number of system improvement projects. Division reviewed BBWC's capital improvement projects and confirmed that the company has carried out most of the recommended system improvements and the projects not yet completed are being proposed as part of this GRC, which include the Roseta and Camino Verde storage tank replacements. Appendix E provides a list of the projects BBWC has completed including cost and the year each project was completed. Division has accounted for these capital improvement projects in its utility plant and rate base estimates provided in the SOE in Appendix A.

Results of Operations

BBWC's rate increase request was based on a rate of return (ROR) on utility investment of 10.80%. In accordance with Commission ratemaking policy adopted by D.92-03-09, two methods are available for Division to utilize for ratemaking for Class C and D water utilities, the ROR and Rate of Margin (ROM) methods.¹⁰ D. 92-03-09 directs Division to calculate the company's rates and revenue requirement using both of these methods and to recommend the ratemaking method resulting in the greater return.¹¹ In this case Division determined that the ROR method produced the higher revenue requirement and therefore recommends that the ROR method be used for BBWC's TY 2013 GRC.

Division's recommended range of ROR for Class C water utilities for 2013 is between 10.30% and 11.30%.¹² Division considers a number of factors in determining the range of the recommended ROR, which include an assessment of the movement in actual and forecasted interest rates over last year's, the operational risk faced by Class C and D

¹⁰ The revenue requirement and rates under the ROR method are based on company's rate base and under the ROM method the revenue requirement is based on the company's overall expenses which include operating and maintenance and depreciation expenses, income and other taxes, and an operating margin.

¹¹ D. 92-03-093, Ordering Paragraph 8.

¹² Division's March 22, 2013 memorandum on the recommended rates of return and rates of margin for class C and D water utilities.

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water utilities, and the authorized rates of returns for Class A utilities in 2012 and 2013. For BBWC's TY 2013 GRC, Division finds BBWC's requested ROR of 10.80% reasonable based on the company's record of maintaining good quality water service. Using an ROR of 10.80% Division estimated a revenue requirement of \$443,880.

Rates and Rate Design

BBWC's rate structure consists of three (3) rate schedules: Schedule No. 1, General Metered Service; Schedule No. 2, Residential Flat Rate Service;¹³ and Schedule No. 4, Private Fire Protection Service. The rate design adopted by Res. W-4526 for BBWC's General Metered Service did not apply fully the Commission's recommended meter ratios established through D.86-05-064, due to the rate impact it had on the large size metered-service customers. BBWC's proposed rate design for metered service for TY 2013 fully implements the Commission's recommended meter size ratios. Division finds BBWC's application of the Commission's established meter size ratios acceptable given that these ratios are intended to account for the water demand the meter size and associated service connection imposes on the water system. The bill impact to customers with larger meter sizes has also been reduced as a result of incrementally applying the full meter size ratios. BBWC's proposed metered service and quantity charges conform to the rate design policy established by D. 92-03-093 which allows a Class C utility to recover 65% of fixed costs through the service charges.

At the recommended ROR the resulting increase in revenue will be \$82,117 or 22.70% for TY 2013. The rates proposed by Division are shown in Appendix B. At the recommended rates for metered service for TY 2013, a monthly bill for a customer with 5/ 8 x 3/4-inch size meter with an estimated average monthly water usage of 8.70 ccf will increase from \$47.50 to \$57.83, a difference of \$10.43 or 21.95%. A comparison of customer bills at present and recommended rates for TY 2013 for 5x8 x 3/4-inch size meter are presented in Appendix C.

¹³ As of May 1, 1985, Residential Flat Rate Service is no longer available to BBWC's customers, and the company is in the process of converting the remaining nine (9) flat rate service customers to metered service.

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COMPLIANCE

The utility has been filing annual reports as required. As noted above, the utility has not been following the USOA for Class B, C, and D water utilities with regard to booking its operating expenses. However, the Division's UAFCB is working with BBWC to bring the company's accounting records into compliance with the Commission's USOA. It is to BBWC's benefit to cooperate with the UAFCB's directives and guidance. If lack of cooperation is reported to the Commission by UAFCB, it may be found necessary for the Commission to open an Order Instituting Investigation (OII), or bring other actions as necessary.

BBWC is in compliance with the Commission's and California Department of Public Health (CDPH) water quality standards. However, based on CDPH's July 22, 2013 water system inspection report for BBWC's water system, CDPH found some miscellaneous deficiencies with BBWC's storage facilities (e.g., installation of lock at the roof access hatch on well tank No. 4). Division contacted and discussed the July 22, 2013 water deficiency report with CDPH's Monterey District regional engineer and confirmed that BBWC is in the process of correcting the identified system deficiencies, and therefore no further action is needed at this time.

Res. W-4526 found that BBWC did not make \$176,293 in loan payments to the SDWBA trust account, including interest, for repayment of its SDWBA loan during the period of 1997 through 2004 and instead the company improperly used the funds collected through customer surcharges for its utility operations. Res. W-4526 attempted to correct the problem by reducing the original SDWBA customer surcharge authorized by D.87-10-074 by almost one half the amount (i.e., the surcharge per service connection per month for a 5/ 8 x 3/ 4 inch meter was reduced from \$11.15 to \$6.50), and ordered BBWC to pay back from its revenues, the difference in the loan payment amount until the full \$176,293 was repaid to the SDWBA trust account.¹⁴ Res. W-4526 however does not provide the necessary information to assess the basis for the surcharge reduction or its calculation, and also does not specify a timeline for the duration of reduced surcharge. Furthermore, by reducing the customer surcharge the company had less revenue to make the SDWBA loan payments and also repay the \$176,293 as directed by Res. W-4526. Consequently, BBWC was unable to meet its loan payment obligations and started defaulting on its loan payments in late 2009.

In March of 2012 the California Department of Water and Resources (DWR), the state agency responsible for administering BBWC's SDWBA loan, restructured the

¹⁴ Res. W-4526, Ordering Paragraph 6.

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company's loan in order for the company to make the loan payments based on the amount of revenue the company collects at the reduced surcharge amounts. DWR restructured a loan amount of \$742,951 at the same interest rate as the original loan of 4.14% with a repayment period of twenty-five (25) years from 2012 through 2037 with required semi-annual payments of \$24,001. Based on the loan information Division obtained from DWR, the restructured amount of \$742, 951 includes: 1) \$108,100 in past due principal, 2) \$36,530 in delinquent interest, 3) \$4,763 in delinquent penalty interest, and 4) \$1,652 in administrative fees for a total of \$151,045. The remaining principal and past due amounts of the loan however should be subject to Commission audit, as it is unclear from the company's accounting records the actual amounts the company collected through surcharges and payments made to the SDWBA trust account. Division therefore recommends that during the company's next audit by UAFCB that these accounts be audited and should the audit results determine that the amount owed to the trust account is different from the principal loan amount restructured by DWR, BBWC's repayment amount and schedule should be adjusted accordingly.

BBWC's customers should also not be liable for the additional \$151, 045 in loan charges (delinquent interest, delinquent penalty interest, and administrative fees) and past due principal given that customers paid the required surcharges and were not responsible for the company's misuse of SDWBA funds and defaulting on its loan payment obligations. BBWC's customers should therefore only be responsible for repayment of remaining principal loan balance amount of \$591,906.

Based on Division's repayment analysis of the \$591,906 loan amount plus interest at the restructured repayment schedule and payment amount it will take approximately 17.5 years (from October 2012 through October 2029) to repay this amount, reducing the repayment timeline schedule by 7.5 years. Division recommends that BBWC repay the \$151,045 to the SDWBA trust account (plus the interest over same time period) over the same repayment schedule and time period of 17.5 years. BBWC should therefore open a separate bank account and make monthly deposits in the amount of \$1,018 to the account, from which it should make an additional semi-annual payment of \$6,111 (or \$1,018 per month) to the SDWBA trust account.¹⁵ BBWC and not the customers should pay back the \$151,045 to the SDWBA trust account. Should the UAFCB determine that the company owes more or less to SDWBA trust account the repayment schedule should be adjusted accordingly.

¹⁵ The semi-annual payment was computed using the same time schedule for repayment of the \$591,906 of 17.5 years and includes the compounded interest of 4.14%.

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Since 2013, the UAFCB requires BBWC to report the SDWBA customer surcharges collected and payments made to the trust account on a quarterly basis. Division recommends that BBWC continue making its quarterly reports and also report the additional payments the company makes to repay the \$151,045. BBWC should include three months of its bank statements showing deposits and payments to the trust account and the required separate bank account for the repayment of the \$151,045. BBWC should also report the amount of timber revenues it reimbursed customers during the quarter and the remaining balance of \$92,903 including the company's accounting entries to its timber operations balancing account and a copy of monthly bills for at least three metered service customer accounts with the customers' information concealed.

BBWC agrees with the plan and schedule for reimbursement of the \$92,903 for the 2005 and 2006 timber operations over a five year period and the repayment plan for the \$151,045 owed to the SDWBA trust account over period of 17.5 years.¹⁶

Given BBWC's non-compliance with previous Commission orders and directives, we put the company on notice that BBWC will be subject to enforcement proceedings if it is non-responsive or noncompliant with the orders contained in this resolution. Enforcement proceedings may include, but not limited to, the Commission: opening an investigation to pursue statutory penalties, issuing a citation pursuant to Res. W-4799, or the appointment of a receiver to assume possession of the company's property and to operate the water system pursuant to Public Utilities Code Section 855.

COMMENTS

Public Utilities Code section 311(g)(1) requires that a proposed resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution.

Accordingly, this proposed resolution was mailed to the utility and its service list, and made available for public comment on May 13, 2014. No comments were received.

¹⁶ Per BBWC's e-mail confirmation provided to DWA staff on April 16, 2014.

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FINDINGS

1. Big Basin Water Company (BBWC) filed its general rate case (GRC) on July 2, 2013, by Advice Letter (AL) 52, with a Test Year (TY) of 2013 in accordance with General Order (GO) 96-B and Decision (D.) 92-03-093.
2. By AL 52, BBWC requested an increase in gross water revenues in the amount of \$119,943 or 31.60% for TY 2013 based on a rate of return (ROR) of 10.80%.
3. AL 52 was served in accordance with GO 96-B on July 1, 2013. On August 6, 2013, a notice of the proposed rate increase was mailed to each customer and the general service list.
4. By AL 51, filed on July 2, 2013, BBWC requested an interim rate increase in accordance with Commission Resolutions (Res.) W-4950 and W-4658.
5. AL 51 was approved on July 22, 2013 with an effective date of July 22, 2013 and authorized an interim rate increase of 1.7% at the Consumer Price Index, which resulted in an increase in annual revenues in the amount of \$6,732.
6. One customer filed a protest on BBWC's rate increase request stating that the rate increase does not provide an incentive to conserve water.
7. The customer's protest should be denied because it does not provide any facts or reasonable justification for denying BBWC's rate increase request.
8. In reviewing BBWC's rate increase request, Division of Water and Audits (Division) made an independent analysis of BBWC's utility operations and associated expenses.
9. Division's estimate of BBWC's operating expenses for TY 2013 is based on the Division's analysis of the company's operations and expense data from the years 2010 through 2012, except for expenses relating to purchased power, employee labor, employee pensions and benefits, insurance, office and management salaries.
10. Division finds BBWC's request for employee labor, office and management salaries reasonable based on its evaluation of the salaries of comparable positions with similar levels of work experience, responsibilities, and qualifications in Santa Cruz and Santa Clara counties.
11. Based on Division's evaluation of BBWC's operating expenses, Division finds BBWC's operating expense estimates for TY 2013 reasonable, except where noted.
12. Division's rate base estimate for TY 2013 is \$658,515 based on its analysis of BBWC's utility plant-in-service since the company's last GRC for TY 2003,

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proposed utility plant additions, materials and supplies, working cash, and depreciation reserve.

13. BBWC's proposal to replace the Camino Verde and Roseta tanks and variable pump drive on its water system is necessary to maintain adequate and reliable water service.
14. Division finds BBWC's costs estimate of \$150,000 for replacing the storage tanks and variable pump drive reasonable and recommends Commission approval of these capital improvements for inclusion into the company's rate base.
15. Appendix E provides a list of the capital improvements BBWC has completed that were recommended by Res. W-4526.
16. BBWC did not comply with Res. W-4526 on the sharing of the revenues from its 2005 and 2006 timber operations and establishing the required balancing account to record its expenses and revenues associated with its timber operations.
17. Revenues resulting from BBWC's timber operations should be shared with its customers in accordance with revenue sharing mechanism adopted by Decision 00-07-018 for passive investments which established a 30% and 70% sharing of gross revenues between ratepayers and shareholders.
18. BBWC's customers' share of the \$309,676 in total revenues received by BBWC from Big Creek Lumber Company for the timber operations conducted in 2005 and 2006 is \$92,903 or 30% of this amount.
19. BBWC shall reimburse its customers the \$92,903 through a monthly bill surcredit of \$2.61 over a period of five years, or until the full amount is reimbursed.
20. Any additional timber operations should require Commission approval. BBWC should file a Tier 3 AL prior to conducting any additional timber operations to evaluate the extent of the timber operations, anticipated revenues, and set a reimbursement plan for the remaining balance of the \$92,903 owed to its customers, and any additional revenues subject to sharing.
21. BBWC shall comply with Res. W-4526 and establish a balancing account to record expenses and revenues associated with its timber operations, including reimbursement of the \$92,903, before the rates authorized by this resolution can become effective.
22. BBWC's requested ROR of 10.80% for its TY 2013 GRC is reasonable and within the Division's recommended range of ROR for Class C water utilities.
23. Using a ROR of 10.80% the estimated a revenue requirement is \$443,880.

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24. Division finds BBWC's proposal to fully apply the Commission's established meter size ratios reasonable because it accounts for the water demand each respective meter size and associated service connection imposes on the water system.
25. BBWC's metered service and quantity charges conform to the rate design policy established by D. 92-03-093 which allows a Class C utility to recover 65% of fixed costs through the service charges.
26. At the recommended ROR the resulting increase in revenue is \$82,117 or 22.70 % for TY 2013.
27. Division's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
28. The rates recommended by the Division (Appendix B) are reasonable and should be adopted.
29. The quantities (Appendix D) used to develop Division's recommendations are reasonable and should be adopted.
30. BBWC is in compliance with the Commission's and California Department of Public Health water quality standards and regulations.
31. In 2012 the California Department of Water and Resources (DWR) restructured BBWC's Safe Drinking Water Bond Act (SDWBA) loan for the amount of \$742,951 at an interest rate of 4.14% and a repayment schedule of twenty-five years (2012 through 2037). The restructured loan includes \$151,045 for past-due principal, delinquent penalty and interest, and loan administrative fees.
32. BBWC's customers should only be responsible for repayment of the remaining SDWBA principal loan balance of \$591,906 plus interest, which Division estimates will take approximately 17.5 years to pay based on the current payment amount and schedule.
33. BBWC should be responsible for payment of the \$151,045 for the SDWBA past-due loan principal and additional loan charges (delinquent penalty and interest, and loan administrative fees), and should repay this amount plus interest over the same repayment schedule and time period of 17.5 years. BBWC should open a separate bank account and make monthly deposits in the amount of \$1,018 to the account, from which it should draw the additional semi-annual payment of \$6,111 to DWR.
34. BBWC should continue reporting to the Utility Audit, Finance and Compliance Branch (UAFCB) on a quarterly basis the monthly revenues collected through the SDWBA customer surcharges and payments made to the trust account and also provide three months of its bank statements showing deposits and payments to

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the SDWBA trust account and the bank statements showing the additional semi-annual deposit of \$6,111 to repay the \$151,045.

35. BBWC should include in its quarterly report to UAFCB the amount of timber revenues it reimbursed customers during the quarter and the remaining balance of \$92,903 including the company's accounting entries to its timber operations balancing account and a copy of monthly bills for at least three metered service customer accounts with the customers' information concealed.
36. BBWC agrees with the plan and schedule for reimbursement of the \$92,903 for its 2005 and 2006 timber operations over a five year period and the repayment plan for the \$151,045 plus interest owed to the SDWBA trust account over a period of 17.5 years.
37. Prior to 2016, the UAFCB should audit BBWC's accounting records and the SDWBA trust account to determine the amount the company collected through customer surcharges and payments it made to the trust account. Should UAFCB's audit determine that the company owes a different principal amount from the amount restructured by DWR, it should adjust BBWC's repayment amount accordingly.
38. BBWC will be subject to enforcement proceedings if it is non-responsive or noncompliant with the orders contained in this resolution. Enforcement proceedings may include, but not limited to, the Commission: opening an investigation to pursue statutory penalties, issuing a citation pursuant to Res. W-4799, or the appointment of a receiver to assume possession of the company's property and to operate the water system pursuant to Public Utilities Code Section 855.
39. After the rates approved by this Resolution become effective, BBWC should be allowed to file a Tier 2 AL within 30 days to collect the under-collected revenues from the interim rate date to the effective date of the new rates. This AL should become effective upon approval by the Division.

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THEREFORE, IT IS ORDERED THAT:

1. The rates authorized by this Resolution shall become effective after Big Basin Water Company complies with Resolution W-4526 and establishes the required balancing account to record expenses and revenues for its timber operations. Within 30 days of the effective date of this Resolution, Big Basin Water Company shall file a Tier 2 Advice Letter to establish the balancing account for its timber operations which shall become effective upon approval by the Division of Water and Audits.
2. Authority is granted under Public Utilities Code Section 454 for Big Basin Water Company to file a supplemental Advice Letter, after complying with Ordering Paragraph 1 above, with the revised rate schedules attached to this Resolution as Appendix B, and concurrently cancel its presently effective rate Schedules: Schedule No. 1, General Metered Service; Schedule No. 2, Residential Flat Rate Service; and Schedule No. 4, Private Fire Protection Service. The effective date of the revised schedules shall be five days after the date of filing.
3. Big Basin Water Company is authorized to file a Tier 2 Advice Letter within 30 days from the effective date of the authorized rates to collect the under-collected revenues from July 22, 2013, the interim rate date, to the effective date of the new rates established by this Resolution. This Advice Letter shall become effective upon approval by the Division of Water and Audits.
4. Big Basin Water Company shall reimburse its customers \$92,903, the customers' share of timber revenues from the company's 2005 and 2006 timber operations, through a monthly bill surcredit of \$2.61 over a five year period, or until the full amount is reimbursed. The starting date of the monthly bill surcredit shall be the first billing period of the rates authorized by this Resolution.

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5. Big Basin Water Company shall file a Tier 3 Advice Letter for approval of any future timber operations and the Advice Letter shall include the following: 1) a copy of the contract agreement for the timber operations; 2) information on the company resources that will be used for the operations, if any; 3) the estimated amount of revenues the company anticipates receiving and customers' share of those revenues; and 4) a reimbursement plan and schedule to repay the remaining balance of the \$92,903 owed to its customers, and any additional revenues subject to sharing.
6. Big Basin Water Company's capital improvement projects, replacement of the Camino Verde and Roseta water storage tanks and the variable pump drive, in the amount of \$150,000 are approved for inclusion into the company's rate base.
7. The customer protest is denied because it does not provide any facts or reasonable justification for denying Big Basin Water Company's rate increase request.
8. The quantities found in Appendix D used to develop the Division of Water and Audits' recommendations are adopted.
9. Within 60 days of the effective date of this Resolution, Big Basin Water Company shall open a separate bank account and make monthly deposits in the amount of \$1,018 to the account from which it should draw its semi-annual payment to the California Department of Water and Resources (DWR) in the amount of \$6,111 to pay the \$151,045 plus interest for the Safe Drinking Water Bond Act (SDWBA) past-due principal and additional loan charges until the full amount is paid off.
10. Big Basin Water Company shall continue reporting to the Utility Audit, Finance and Compliance Branch (UAFCB) on a quarterly basis the monthly revenues collected through the SDWBA customer surcharges and payments made to the SDWBA trust account and shall provide three months of its bank statements showing deposits and payments to the SDWBA trust account and the bank statements showing the additional semi-annual deposit of \$6,272 to repay the \$151,045. Big Basin Water Company shall also report the amount of timber revenues it reimbursed customers during the quarter and remaining balance of \$92,903 including the company's accounting entries to its timber operations balancing account and a copy of monthly bills for at least three metered service customer accounts with the customers' information concealed.
11. Prior to 2016 the UAFCB shall audit Big Basin Water Company's accounting records and the SDWBA trust account to determine the amount the company

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collected through customer surcharges and payments it made to the trust account. If the results of the UAFCB's audit determine that Big Basin Water Company owes more or less to the SDWBA trust account, UAFCB shall adjust the company's repayment amount and schedule accordingly.

12. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 12, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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APPENDIX A

Big Basin Water Company Summary Of Earnings Test Year 2013

	Big Basin		Division		Division
	Present	Requested	Present	Requested	Recommended
	Rates	Rates	Rates	Rates	Rates
Operating Revenues					
Metered Service	\$ 373,618	\$ 499,357	\$ 356,254	\$ 511,789	\$ 437,121
Flat Service	\$ 5,221	\$ 5,784	\$ 5,221	\$ 5,784	\$ 6,406
Private Fire Protection	\$ 576	\$ 379	\$ 288	\$ 379	\$ 353
Total Revenue	\$ 379,415	\$ 505,521	\$ 361,763	\$ 517,952	\$ 443,880
Operating Expenses					
610 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -
615 Purchased Power	\$ 18,840	\$ 18,840	\$ 19,463	\$ 19,463	\$ 19,463
618 Other Volume Related Expenses	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 5,000
630 Employee Labor	\$ 47,953	\$ 47,953	\$ 47,953	\$ 47,953	\$ 47,953
640 Materials	\$ 4,638	\$ 4,638	\$ 10,000	\$ 10,000	\$ 10,000
650 Contract Work	\$ 7,000	\$ 7,000	\$ 10,000	\$ 10,000	\$ 10,000
660 Transportation Expenses	\$ 14,172	\$ 14,172	\$ 14,172	\$ 14,172	\$ 14,172
664 Other Plant Maintenance	\$ 20,936	\$ 20,936	\$ 5,000	\$ 5,000	\$ 5,000
670 Office Salaries	\$ 33,773	\$ 33,773	\$ 33,773	\$ 33,773	\$ 33,773
671 Management Salaries	\$ 82,021	\$ 82,021	\$ 82,021	\$ 82,021	\$ 82,021
674 Employee Pensions and Benefits	\$ 37,656	\$ 37,656	\$ 37,656	\$ 37,656	\$ 37,656
676 Uncollectable Accounts	\$ 6,372	\$ 6,372	\$ 5,160	\$ 5,160	\$ 5,160
678 Office Services and Rentals	\$ 2,135	\$ 2,135	\$ 5,000	\$ 5,000	\$ 5,000
681 Office Supplies and Expenses	\$ 5,824	\$ 5,824	\$ 6,500	\$ 6,500	\$ 6,500
682 Professional Services	\$ 1,071	\$ 1,071	\$ 7,500	\$ 7,500	\$ 7,500
684 Insurance	\$ 13,414	\$ 13,414	\$ 10,606	\$ 10,606	\$ 10,606
688 Regulatory Commission Expense	\$ -	\$ -	\$ 2,000	\$ 2,000	\$ 2,000
689 General Expense	\$ 26,416	\$ 26,416	\$ 8,000	\$ 8,000	\$ 8,000
Subtotal	\$ 322,221	\$ 322,221	\$ 309,804	\$ 309,804	\$ 309,804
403 Depreciation	\$ 42,216	\$ 42,216	\$ 14,926	\$ 14,926	\$ 14,926
408 Taxes Other Than Income	\$ 25,190	\$ 25,190	\$ 20,480	\$ 20,480	\$ 20,480
409 State Income Taxes	\$ 800	\$ 7,398	\$ 1,463	\$ 15,270	\$ 8,722
410 Federal Income Taxes	\$ -	\$ 13,038	\$ 7,500	\$ 41,790	\$ 18,832
Total Deductions	\$ 390,427	\$ 410,063	\$ 354,173	\$ 402,271	\$ 372,765
Net Revenue	\$ (11,012)	\$ 95,458	\$ 7,589	\$ 115,681	\$ 71,115
Rate Base					
Average Plant	\$ 2,112,249	\$ 2,112,249	\$ 1,381,171	\$ 1,381,171	\$ 1,381,171
Average Dep. Reserve	\$ 1,235,036	\$ 1,235,036	\$ 399,931	\$ 399,931	\$ 399,931
Net Plant	\$ 877,213	\$ 877,213	\$ 981,240	\$ 981,240	\$ 981,240
Less:					
CIAC	\$ -	\$ -	\$ 327,725	\$ 327,725	\$ 327,725
Acc. Deferred Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Plus:					
Construction Work in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Working Cash	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Materials and Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Base	\$ 882,213	\$ 882,213	\$ 658,515	\$ 658,515	\$ 658,515
Rate of Return	-1.25%	10.82%	1.15%	17.57%	10.80%

END OF APPENDIX A

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APPENDIX B
BIG BASIN WATER COMPANY
(Page 1 of 4)
SCHEDULE NO. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a monthly basis.

TERRITORY

Big Basin and vicinity, Santa Cruz County

RATES

Quantity Rate:

All water, per 100 cu. ft.....\$ 3.14 (I)

Service Charges:

		Per Meter <u>Per Month</u>
For 5/ 8 x 3/4 inch meter.....	\$ 30.80 (I)	
For 3/4 inch meter.....	\$ 46.20	
For 1 inch meter.....	\$ 77.00	
For 1½ inch meter.....	\$ 153.90	
For 2 inch meter.....	\$ 246.30	
For 3 inch meter.....	\$ 461.80	(I)

The Service Charges are a readiness-to-serve charges which are applicable to all metered services and to which are added the charge for water used computed at quantity rate.

SPECIAL CONDITIONS

1. A \$2.61 bill surcredit shall be applied to each customer's monthly water bill to reimburse customers the \$92,903 in timber revenues for the 2005 and 2006 timber operations. The bill surcredit shall be separately identified on each bill and in place for a period of five years, or until the \$92,903 is fully reimbursed to customers. (N)
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF. (N)

(CONT.)

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APPENDIX B BIG BASIN WATER COMPANY (Page 2 of 4) SCHEDULE NO. 2

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable only to flat rate residential water service furnished prior to May 1, 1985. This schedule is not open to new customers.

TERRITORY

Big Basin and vicinity, Santa Cruz County.

RATES

	Per Service Connection	
	<u>Per Month</u>	
All existing flat rate connections, where meters have not been located.....	\$ 59.31	(I)

SPECIAL CONDITIONS

1. The above flat rate applies to service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No.1, General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
3. A \$2.61 bill surcredit shall be applied to each customer's monthly water bill to reimburse customers the \$92,903 in timber revenues for the 2005 and 2006 timber operations. The bill surcredit shall be separately identified on each bill and in place for a period of five years, or until the \$92,903 is fully reimbursed to customers. (N)
4. All bills are subject to the reimbursement fee set forth in Schedule UF. (N)

(CONT.)

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APPENDIX B BIG BASIN WATER COMPANY (Page 3 of 4)

SCHEDULE NO. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to water service furnished for private fire systems and to private fire hydrants.

TERRITORY

Big Basin and vicinity, Santa Cruz County.

RATES

	Per Service Connection Per Month
For each inch of diameter of service connection	\$7.36

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such Payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be serviced, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection service to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility.

(CONT.)

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APPENDIX B

BIG BASIN WATER COMPANY **(Page 4 of 4)** **SCHEDULE NO. 4**

PRIVATE FIRE PROTECTION SERVICE **(Continued)**

The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage, or waste of water and the cost shall be paid by the applicant. Such payment shall not be subject to refund.

5. The utility undertakes to supply such water at such pressure as may be available at any time through the normal operation of its system.
6. All water bills are subject to the Public Utilities Commission reimbursement fee set forth in Schedule No. UF.

END OF APPENDIX B

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APPENDIX C

Big Basin Water Company
COMPARISON OF RATES
Test Year 2013

	Per Service Connection Per Month		
	Present <u>Rates</u>	Recommended <u>Rates</u>	Percent <u>Increase</u>
Service Charge:			
5/8 x 3/4" \$	27.95	\$ 30.80	10.20%
3/4" \$	39.69	\$ 46.20	16.40%
1" \$	62.87	\$ 77.00	22.47%
1-1/2" \$	119.32	\$ 153.90	28.98%
2" \$	186.11	\$ 246.30	32.34%
3" \$	419.16	\$ 461.80	10.17%
Quantity Charge:			
All water usage, per 100 cubic feet (ccf)	\$2.26	\$3.14	38.76%

A monthly bill comparison for a customer with a 5/8 x3/4-inch meter is shown below:

	Usage <u>per ccf</u>	Present <u>Rates</u>	Recommended <u>Rates</u>	Amount <u>Increase</u>	Percent <u>Increase</u>
Average	0.0	\$27.95	\$30.80	\$2.85	10.20%
	5.0	\$39.25	\$46.48	\$7.23	18.42%
	8.7	\$47.50	\$57.93	\$10.43	21.95%
	15.0	\$61.85	\$77.84	\$15.99	25.85%
	40.0	\$118.35	\$156.24	\$37.89	32.02%

END OF APPENDIX C

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APPENDIX D Big Basin Water Company

ADOPTED QUANTITIES

Test Year 2013

1. Purchased Power	\$19,463
2. Water Sales	68,857 Ccf
3. Payroll	
Employee Labor	\$47,953
Office Salaries	\$33,773
Management Salaries	\$82,021
4. Payroll taxes	\$13,605
5. Property Taxes	\$6,876
Metered Service Connections	
5/8 -inch by 3/4 inch	542
3/4 -inch	5
1 -inch	30
1 1/2 -inch	4
2 -inch	<u>3</u>
Total	584

Tax Calculations

	<u>T Y 2013</u>
Operating Revenues	\$443,880
Operating Expenses	\$309,804
Depreciation	\$14,926
Taxes Other than Income	\$20,480
Taxable Income for State	\$98,670
State Taxes	\$8,722
Taxable Income for Federal	\$89,947
Federal Taxes	\$18,832

END OF APPENDIX D

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APPENDIX E

Big Basin Water Co.

Utility Plant Additions and Compliance with Res. W-4526

	<u>Project Description</u>	<u>Estimated</u>	<u>Actual</u>	<u>Date Completed</u>	<u>Comment</u>
1)	filter media repairs	\$ 12,000	\$ 8,925	2005	
2)	turbidimeter & graph recorder	\$ 6,500	\$ 6,424	2006	
3)	Pickup truck replacement	\$ 15,000	\$ 22,778		
4)	New pump house @ King Highway pump station	\$ 15,000	\$ 2,582		
5)	8-inch main to connect Chaparral Tank to system	\$ 5,000			
6)	Automation of Roseta Storage Tank	\$ 6,000			Will be part of Roseta tank replacement under item #10
7)	Hillhouse Tank Replacement	\$ 7,000	\$ 5,003	2006	
8)	Hilton Bridge water main repair	\$ 15,000	\$ -	2007	Completed at no cost
9)	King Highway Tank replacement	\$ 40,000			
10)	Roseta Tank Replacement	\$ 80,000	Combined cost for the two tanks, items #10 and #11 is \$97,756 plus \$25,000 for preparation and installation of tanks		Plant addition for TY 2013 (84,000 gallon tank)
11)	Camino Verde Tank Replacement	\$ 12,000			Plant addition for TY 2013 (22,000 gallon tank)

END OF APPENDIX E

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W- 4985 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 13, 2014 at San Francisco, California.

/s/ DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

**BIG BASIN WATER COMPANY
ADVICE LETTER 52
SERVICE LIST**

Jim Moore, Manger
Big Basin Water Company
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bbwater197@yahoo.com

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